

## Message Text

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ACTION OPIC-06

INFO OCT-01 EA-10 ISO-00 EB-07 COME-00 TRSE-00 OMB-01

AID-05 XMB-04 FRB-01 CIAE-00 INR-07 NSAE-00 CIEP-02

/044 W

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R 201059Z MAR 75

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC 3916

UNCLAS SAIGON 3219

FOR OPIC

E.O. 11652: N/A

TAGS: EINV, VS

SUBJ: OPIC INSURANCE OF FOREIGN LOANS/FRANK HOPKINS SAWMILL  
PROJECT

REF : STATE 055674

SUMMARY: FOREIGN CAPITAL MAY BE INVESTED IN VIETNAM THROUGH ARRANGEMENTS MADE WITH THE NATIONAL BANK OF VIETNAM OR WITHIN THE FRAMEWORK OF THE INVESTMENT LAW 4/72. MOST OF THE FOREIGN CAPITAL INVESTMENTS ARE BEING MADE UNDER THE INVESTMENT LAW. IF PART OF THE CAPITAL INCLUDES FOREIGN CURRENCY LOAN, THIS SHOULD BE MENTIONED IN APPLICATION FOR INVESTMENT INCENTIVES SUBMITTED TO INVESTMENT BOARD. GVN APPROVALS FOR OPIC INSURANCE OF INVESTMENT PROJECTS DO NOT REQUIRE STATEMENT EXPLICITLY APPROVING FOREIGN CURRENCY LOAN. COMMENTS ON HOPKINS PROJECT WILL BE SUBMITTED THIS WEEK. AFTER REQUIRED DOCUMENTS HAVE BEEN SUBMITTED, CURRENTLY LESS THAN TWO WEEKS ARE REQUIRED FOR OBTAINING FOREIGN EXCHANGE FOR LOAN PRINCIPAL AND INTEREST PAYMENTS. END SUMMARY.

1. ACCORDING TO NATIONAL BANK OF VIETNAM'S (NBVN) DIRECTOR GENERAL OF EXCHANGE TRUONG NHU BICH AND GENERAL MANAGER NGUYEN DANG KHOI OF THE INVESTMENT DEVELOPMENT AGENCY, THERE  
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ARE TWO ARRANGEMENTS WHEREBY FOREIGN CAPITAL MAY BE OFFI-

CIALLY BROUGHT INTO THE PRIVATE SECTOR OF VIETNAM FOR INVESTMENT PURPOSES. UNDER CURRENT FOREIGN EXCHANGE REGULATIONS (NBVN CIRCULAR NO. 90 OF MARCH 3, 1972 BASED ON JOINT DECREE NO. 498/BKT/BIC/ND/LB ISSUED BY MINISTRIES OF FINANCE AND ECONOMY ON NOVEMBER 15, 1971) FOREIGN CAPITAL MAY BE USED TO FINANCE CERTAIN INVESTMENTS GENERALLY THOSE NOT INCLUDED IN INVESTMENT LAW 4/72. UPON APPROVAL AND REGISTRATION OF THE FOREIGN CAPITAL INVESTMENT BY NBVN, THE VIETNAMESE BORROWER IS PERMITTED TO OPEN A FOREIGN CURRENCY INVESTMENT ACCOUNT DENOMINATED IN LOCAL CURRENCY IN AN APPROVED COMMERCIAL BANK. NBVN WILL MAKE AVAILABLE ANNUALLY FOREIGN EXCHANGE UP TO A MAXIMUM OF 20 PERCENT OF THE REGISTERED CAPITAL FOR REMITTANCE OF PROFITS AND UP TO A MAXIMUM OF 25 PERCENT OF THE REGISTERED CAPITAL FOR REPATRIATION PURPOSES. IF THE CAPITAL IS USED TO FINANCE EXPORTS, BORROWER CAN ALSO USE 10 PERCENT OF THE EXPORT PROCEEDS HE IS PERMITTED TO RETAIN TO HELP PAY THE INTEREST COSTS. EXCHANGE RATES WILL BE THOSE PREVAILING WHEN TRANSFERS OF FUNDS ARE REQUESTED. BICH MENTIONED THAT THERE ARE THREE SUCH INVESTMENTS AT PRESENT TIME.

2. MOST OF THE FOREIGN CAPITAL INVESTMENTS (INCLUDING LOANS) ARE MADE UNDER THE INVESTMENT LAW 4/72. NBVN GUARANTIES TRANSFERABILITY OF PROFITS AND CAPITAL FOR FOREIGN INVESTMENT PROJECTS APPROVED BY THE INVESTMENT BOARD (IB). IN HIS APPLICATION FOR INVESTMENT PRIVILEGES INVESTOR SHOULD INFORM IB THAT PART OF CAPITAL FOR INVESTMENT PROJECT IS IN FORM OF FOREIGN CURRENCY LOAN. BICH SUGGESTS THAT DRAFT LOAN AGREEMENT BE MADE PART OF THE APPLICATION. SHOULD IB (DIRECTOR GENERAL OF EXCHANGE IS MEMBER) APPROVE APPLICATION, INVESTMENT LAW PERMITS BORROWER TO REMIT PROFITS ABROAD WITHOUT PAYMENT OF INCOME TAX MUST THEREAFTER BE PAID BEFORE PROFITS CAN BE REMITTED. HOWEVER, AFTER THE FIFTH YEAR MAXIMUM OF 20 PERCENT OF INVESTED FOREIGN CAPITAL CAN BE REPATRIATED ANNUALLY. PAYMENTS OF INTEREST AND PRINCIPAL FOR A FOREIGN CURRENCY LOAN MUST THEREFORE BE MADE OUT OF PROFITS FOR THE FIRST FIVE YEARS AND THEREAFTER OUT OF REPATRIATION OF CAPITAL AND PROFITS MINUS TAXES. RETAINED FOREIGN EXCHANGE PROCEEDS FROM EXPORTS IF ANY SHOULD FACILITATE MEETING THESE PAYMENT OBLIGATIONS.

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3. IN VIEW OF FOREGOING BICH AND KHOI SUGGEST THAT ORIGINAL APPLICATION TO IB SHOULD STATE THAT CAPITAL INCLUDES FOREIGN CURRENCY LOAN. IF IB APPROVES INVESTMENT PROPOSAL, A JOINT MINISTRY OF FINANCE-VICE MINISTRY OF INDUSTRY DECREE CONFIRMING IB DECISION IS ISSUED. IF ORIGINAL APPLICATION DOES NOT MENTION THAT CAPITAL INCLUDES FOREIGN CURRENCY LOAN, INVESTOR SHOULD FORWARD LETTER TO IB REQUESTING AMENDMENT

OF THE ORIGINAL APPLICATION TO INCLUDE SUCH A LOAN. IF IB CONCURS, KHOI AS SECRETARY GENERAL OF IB WOULD SEND LETTER TO INVESTOR INFORMING HIM OF BOARD'S ACTION. ASIAPAC DEVELOPMENT WOULD PRESUMABLY HAVE TO SEND LETTER TO IB REQUESTING AMENDMENT OF ITS ORIGINAL APPLICATION AND THEN GET IB'S LETTER OF APPROVAL.

4. KHOI STATES THAT GVN APPROVALS FOR OPIC INSURANCE OF INVESTMENT PROJECTS DO NOT REQUIRE STATEMENT EXPLICITLY APPROVING THE FOREIGN CURRENCY LOAN. THESE APPROVAL LETTERS WOULD NOW BE SIGNED BY VICE MINISTER OF INDUSTRY NGUYEN HUU TAN.

5. WE HAVE DECIDED TO SUBMIT COMMENTS ON HOPLINS PROJECT WITHIN A FEW DAYS ALTHOUGH WE INFORMED OPIC IN MEMORANDUM OF MARCH 11 THAT THERE WOULD BE SOME DELAY.

6. CURRENTLY LESS THAN TWO WEEKS ARE REQUIRED FOR OBTAINING FOREIGN EXCHANGE FOR LOAN PRINCIPAL AND INTEREST PAYMENTS AFTER THE REQUIRED DOCUMENTS HAVE BEEN PRESENTED THROUGH THE COMMERCIAL BANKS TO NBVN. THESE PAYMENTS ARE MADE ONLY ONCE A YEAR.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INSURANCE, LOANS, INVESTMENTS  
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**Decaption Date:** 01 JAN 1960  
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**Disposition Comment:**  
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**Reference:** 75 STATE 055674  
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**Review Authority:** hartledg  
**Review Comment:** n/a  
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**Review Date:** 20 JUN 2003  
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Margaret P. Grafeld  
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**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OPIC INSURANCE OF FOREIGN LOANS/FRANK HOPKINS SAWMILL PROJECT  
**TAGS:** EINV, VS, OPIC  
**To:** STATE  
**Type:** TE  
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